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Brussels Forum

Geostrategic Consequences of the Economic Crisis

Moderator: I scribbled down four ideas that perhaps we may talk about during the debate. Mine were identify four changes. I said shift in power from West to East and perhaps a rise in U.S.- Chinese tensions. Second, challenge to globalization in a sense this project one of the world's major powers bought into is now a little bit on the question particularly in the West. Third, is attention to global government perhaps, institutionalization consequences have been the rise of the G20. And the fourth is a worry that economic bad times are going to lead to political bad times, more failed states and so on.

On the far right is Karl Bild.

Have professor Wang Jisi.

And Sheikha Lubna.

And Robert Zoellick.

So perhaps, I can start with you, I mentioned this idea of shift of from west to east and perhaps that will be political, one of the big global multilateral institutions, do you feel it a bit of dynamics changing?

The Hon.Robert Zoellick: I like the comment about the French revolution, asked some 200 years later, and you said the implications are still too early to tell. You focused on shift from west to east. I'd broaden it, I think the rule issue is a shift from the emerging markets and in the developing world. On the economic side, if you look at most of the sources of demand to help countries come out of the recovery, it is now coming from the developing world. If you look at the growth prospects of

the United States, Canada, Europe and others in the developed world, and Japan, you are going to see the rising importance of these perhaps leading over time to multi-poles of economic growth. I think one can overstate the implications of this in terms of some of the traditional order. A lot will depend on how the established countries, United States, Europe deal with some of the issues like the debt build up. You didn't say Japan. And I would like to say, if there is any country coming out of this crisis is going to have the biggest political transformation it's Japan. At least it is far from clear to me, how that is going to work out.

Moderator: Global implications?

The Hon. Robert Zoellick: I think we have a change of government after 50 or 60 years we think that is a considerable thing and what is more important was that the DPJ is trying to determine its role, Japan's relates to issue with the US alliance, its relationship, with China (inaudible).

Moderator: With president Obama when he spoke, of this being a win-win relationship, you can see things are getting more tense economically and even more worries with the United States about their strategic position in the Pacific. How does that feel in Beijing. And do you feel an crisis building with the U.S. Chinese relations?

Prof. Wang Jisi: I think there are worries in China that the relationship might tend more solid than before I think the U.S -- Chinese relationship is not in the best moment today. I think it is caused by a number of factors. Both have heighten expectation before the summate and then after the summate. People in China were unsatisfied with armed sales to Iran, and Google event. I think there's a combination between what Chinese feel as the domestic security issues and the confident in international affairs people think they should be more confident. It conducts this and that at the expense of China. And then I think on the U.S. side, there also, some tendencies that are not very good to the

relationship. But on the Chinese side, I think the top leader is open minded in seeing the United States has the most important country in all the relationships but they also have some domestic audiences to deal with. Social and uncertainties in the society exacerbated tensions between scrimp poor. All these issues can be related. For instance, the pressure on the exchange rate. And also the -- people were talking about carbonization that.

Moderator: I mean I know on visits to China over the years you get in to a conversation whether the U.S. believes the rise of China is in its interest and whether America will change policy and try to block the rise of China is that how you see things developing with the pressure on currency and carbon?

Prof. Wang Jisi: I think the popular feelings are moving in that direction. Some popular votes -- sold well in China, like the American Dream. And there are also the feeling that Chinese in circle by the United States by establishing military bases in center Asia and so on. In southeast Asia, in Japan, the United States is strengthening its positions.

Moderator: We could spend the hour and half talking about this. But I'll give the audience to chip in. We talked about the sense of the power of shift, it is more complicated than that. You are sitting in a nation that has positioned itself between Asia and Europe. How do you feel? Do you have any sense of power shift in the change of conversation between Asia and the west?

Sheikha Lubna Al-Qasimi: In my personal belief, I think from the Middle East whether it's China, Japan South Korea Indian, what we are seeing today, within the shift because of the diminishing impact of this global crisis we have seen more visibility toward the far east. We get a lot of comments people have perception -- realty the investment has always been on both sides. Investments and move mobilize itself where emerging economies are coming, where there are opportunities for investment. So, what I see is that because of globalization that the attention

is everywhere it's just not on one side. Countries who are willing to invest or mobilize themselves on the economy development will go where the investment is vice president is actually mobilizing itself. But it doesn't mean it under minds the interest in Europe and North America and from -- at least from the perspective of the Middle East.

Moderator: And Karl, I guess as European we have the luxury of being outsider as the American and Chinese justle each other. How do you think the crisis has hit Europe? It seems like the Americans we are suffering from the crisis of confidence that my goodness the balance of power history is moving away from Europe and also the low because of the struggling with the Euro and that is our big project. So do you think this is a bad moment? Do you think the European union has come out of this crisis badly so far?

The Hon. Karl Bildt: I wouldn't say they have come out of it badly, but we are seeing first of all, is the Middle East is doing better than the west. I agree, it is not only China, whenever you go outside the west, both figures are more fiscal. Debt burdens are less oppressive than what we are going to be faced with and in North America or in the U.S. in the years to come. This of course, has political repercussions. Because we see a new level of political self-confidence in these countries that could be China, Brazil ... we see that translated into the ways in which they operate their foreign policy and in the way they seem to be attractive. Economics crisis translates into soft power. Soft power does translate into a lot of other things in the world of today. So we are I think, that being the crisis has been a wake up call to a certain extent. Copenhagen was certainly a wake up call for Europe. I think that trade grounds has also been a wake up call, the way the world is changing and we need to adapt accordingly.

Moderator: How do we need to adapt. You talk about soft power are you suggesting this kind of spread of western liberal values that we have taken for granite over the

last 20-30 years, the spread of democratization is going to stop a bit.

The Hon. Karl Bildt: Not necessarily I think those values are universal. I was down in the UA the other day, I saw a big survey that had been done of youth in the ash world. They wanted the values that you find that people in Sweden want. So major difference there it might be that they would develop more self-confidently in their own way. At least in, I think Europe, we have two very good decades in Europe. Where we have done reunification of Europe. And the new treaties and whatever. We have been a model and the magnetism of Europe has been a big transformation of power. But now that story is to some extent ended. Enlargement is going on but it is not as, the economy looks somewhat different. That means we have to look at the way in which we reform ourselves if we want to be seen in the future as an attractive model by the rest of the world rather than an interesting museum.

Moderator: Right perhaps, I can answer some questions from out there.

AUDIENCE: Only say 3-4 years ago here at Brussels forum there was a lot of talk about changing the international economy governance institutions. Let's think particularly after the Lehman brothers, about a new architecture of international governance addressing both issues of efficiency, effectiveness and political representation of developing countries reflecting the change in economic power and in Egypt. This all seems to have lie down now. Now the IF is firmly back in business. The world bank is moving into new territory. Not only climate but new ways of thinking about development what has happened to this debate. Do we need new institutions are we continuing with the patchwork, multilateral on some things bilateral on others. Just struggling on. Have we wasted the opportunity of a good crisis to fundamentally change what we have available international level?

Moderator: That is your thing.

The Hon. Robert Zoellick: It is interesting the way you bias the question. In other words, you assume that sort of the burden model of institution evolution is weak and that sort of radical shift to I don't know what which history has tended not to produce wonderful things when it has tried to when it has tried to do it. Is the model. But I would take it back to the question for Karl, the bigger issue here you do have shifts of power. Those are clearly going to have been reflected in these institutions they are reflected through throughout the development of the G20 versus the G8. We talked a little about that yesterday about some of the issues that is going to have to face. At the world bank, it is interesting you think the issues have gone away because by the end of April we are having a spring meeting where we are doing a financial resource increase, shift of voice in terms of the votes, series of internal reforms that agenda is very much alive and with us. But I think one has to broaden it beyond what happens in each of these individual institutions. The real question will be how there are shared responsibility physical you are going to make this international system work. And to add to what Karl was saying, the reason this gets tricky you not only have the problem of emerging powers but a lot of emerging powers are still developing countries. If you go to Beijing and here of the things asked of them, the leadership in China say we have big issues. We have a lot of poor people. A lot of challenges that's where climate change resonates in the developing world well, who created a lot of the carbon in the environment and what restrictions are going you going to put on us. Part of the challenge here will be to get the developing countries to see this in a cooperative interest. Let me give you an example related to the bank.

Is part of our capital increase we put together a financial resource package. And about a half to 2 3rds of this will come from the developing world inaccuracy crease prices, they are buying some of the shares, we have access to some of the they had before, this is a totally unnoticed fact, I think it is important giving the context of climate change or the trade ground,

because if you can get the developing countries to seeing in a common interest, and make that contribution that says something about their role in the institution and faith in it. And makes it easier for some of the traditional country. To conclude, I'd say that is going to be the huge issue I see over the next 10-20 years but rather than assume there's one hierarchal model, I think you are going to see a network system. One of the things you should see will be what will be the role of the G20 in this process. What will be the role of the traditional multilateral institution of the regional institutions what is the role of the UN. Another way to look at what happened yesterday with Greece is the idea you can have a regional solution to the European union that is connected to a global institution. I don't think that is a bad thing.

Moderator: Anybody else want to chip in on this?

Prof. Wang Jisi: I think we should also consider institutionalizing G20. And also establishing some mechanisms especially about the climate change. And the international institutional deficit of the address by sustaining and emerging institutions like G20. And for instance, people are talking about some kind of --

Moderator: G2.

Prof. Wang Jisi: No. But G4, G5 ...

Moderator: We will eventually have everything.

Prof. Wang Jisi: Yes. G7. But China is not feeling comfortable being an ad hoc country to be invited. I think China likes G20 and likes the idea of the -- not enlarging it. But expanding the, enriching the agenda there.

Moderator: When you say institutionalizing are you thinking of a secretary?

Prof. Wang Jisi: Yes. Why not? Secretary to be (inaudible.)

Moderator: That's an excellent idea. Karl, would you like to service as the first chair of the --

The Hon. Karl Bildt: There are attractive places in Asia where one could locate things.

But I would like, institutions are changing. At the same time, it is easier to create institutions G20. Than to reform old ones. I mean some people in this room have spent most of their life discussing reforms of the UN security counsel. Once set up it is bloody difficult to change the composition of it. We need to be careful what we do now, because we will be stuck with it for quite some time to come. I am not, I'm a fan of the idea of the G20 but not necessarily a fan of the way it has been done. It is a self appointed unrepresented body. To take one example, the Nordic region is the ninth biggest region in the world. Believe it or not. Whether we should be lectured on economy policy by Argentina is debatable in my opinion. But that's the wisdom of the world that has worked it out in this way. What I'd like to see, my vision of things, is to have say a body of 20, G20, but then do as you do, in the world bank, and IMF you have constituents, everyone is represented through some sort of represented system. That means most of those that are in the G20 sufficiently powerful on their own. But everyone in the world would be represented one way or the other. Then you can have an amount of governance structures of the G20, the world bank, IMF, you are be moving the factor toward economy counsel if you do that, which is inclusive which can be truly avoided, debates, IMF world bank.

That would be my vision. Unlikely to happen but any how.

Moderator: How do you feel about the G20, with the Saudis seem to be the representatives of the gulf and there you are very important economy, but not at this new party.

Sheikha Lubna Al-Qasimi: Whenever represents as long as the voice of consensus is be delivered that is the most



important part. What we are seeing today, the grouping itself is getting larger world wide. I think part of it is because of globalization. Decisions cannot be taking on a west side only, or North America or eastern side. So decisions where there are economic or political the contribution of -- of some is very critical. When we look at organizations like IMF, sometimes we tend to think that they have to be so visible and taking it from A to Z when we really a lot of times they work out more like a catalyst in some aspect and they get people together. And that matter, eventually the organizations that sat down and the countries sort out things. Visibility doesn't mean they really have to be there physically a lot of it is getting the countries themselves, the people in concern to get together and make decision and this is where we look at multi-national consensus and decision making.

Moderator: I saw a number of hands out there. May be I'll take three points.

AUDIENCE: This is a very governmental conversation so far. The economic crisis actually came out of the private sector. And in a globalized world, it is not just getting into a mosaic picture of different national views, we have had some interesting answer. The people created global wealth, are the private sectors. And civil society too has very strong views across borders of how things are organized. Beyond the institutions which themselves in my view are not able to adapt themselves as fast as the world is changing. There is a need to connect with other things that are happening across borders. Particularly in the corporate sector. What does the panel think of the institutional responses to bringing in those very powerful new ways of activity into the governance of the agenda?

Moderator: Gentlemen by the microphone.

AUDIENCE: I'd like to suggest that there's not just one crisis in the geostrategic implications are because there are two. First was north Atlantic banking crisis that

came from the sub-prime. And did some damage to these economies particularly their credit and investment generating system for the rest of the world it was simply aggregate demand shot. As a aggregate demand shot goes away, these countries are looking a little bit more like Japan after their banking crisis. If that's right, then going for the record will really have two different crisis for quite a long time and the shifting economic balance is not just a temporary manipulation but one that can continue for 5 or 10 years. I just wanted the reaction of the panel especially, bob, who is following these things closely?

Moderator: Last point, perhaps, over there I'll take two more.

AUDIENCE: Can -- you suggested United States didn't really want or might not want to see China rise. It seems to me the issue is from the U.S. point of view to try to make China a greater stake holder in these international institutions. Like as bob address that issue. And then to Karl, I'd -- I was struck yesterday in the multilateral session or the transatlantic relationship in the multipolar world that in fact there was little discussion of China and the rest of the multipolar world. In fact, it really revolves around questions related to Europe and was very Euro centric from the point of your view of European view and Europe how do you see the relationship with China. Is it important? Shouldn't it be given more consideration than it was yesterday at the session that was held on Transatlantic relationships in a multipolar world?

Moderator: And the last one here.

AUDIENCE: I'd like to hear the panel speak about population threats. Over the next 10-20 years will be a profound impact on global economics scene. A lot of talk in Europe about slowing of population trends, the need for immigration, but China has the most rapidly aging population in the world. Japan and Russia also have big problems in that consensus and also the Arab world where

70 percent of the of the population is under 30. I wondered if -- I'd like to hear your views on how this will have an impact over the next two decades.

Moderator: We have four diffuse points. You should all feel obliged to respond to all of them but to recap the road of civil society in this whole global governance debate. The question of whether we are seeing economic impact of this crisis hitting the west in a structural long term way I everyone else is coming back.

China as a stakeholder and demographics anyone want to take a crack at any of those.

Sheikha Lubna Al-Qasimi: I want to talk about the private sector. I think it is critical remember when this financial crisis and the global crisis took place, it was the initiative of the government who tried to create stimulus packages or to create recovery. The problem might be from the private sector but if the government themselves did not intervene and try to come up with packages we would probably be in much worse situation. It is not all private sector. There are policies made by governments and policies themselves create mechanism, engines for private sector to mobilize itself whether policy. So my believe, you can take it as just completely private sector and say they created the problem. They are involved but at some points, they need the help of the government and we have seen this worldwide. So the government preservation and the role they play is crucial as well. They are not doing it without looking at the private sector. I'll get back to the population afterwards.

Moderator: Karl, hearing the point about the differential impact of the economic crisis, made me think about what you said, the way countries talk to each other. It does seem that one of the things we are seeing that as a kind of tide recedes after this shock wave, we are seeing the west is stuck with this can't get out of and that is what defines of economically.

The Hon. Karl Bildt: That I think is going to be one of the defining issues that we will have to deal with in the west. The deficit is roughly 7 percent in Europe. Quite a number of countries that are double that figure. Without going into the details of who those are. There are of course those doing better I can say. And then, roughly 20 years of physical consolation in wean Europe it will be undone in one year. It took an effort to get where we were. The U.S., others can talk about. I'm worried about the effect it is going to have. We are going to struggle with this. Of course, the fact, this enormous debt needs these enormous debts needs to be finances through the international markets. As we struggle with the debt taking money away or resources away from those who might have better reasons for resolve.

Moderator: Does it create dependency for the Americans have been very preoccupied by they are having to borrow from overseas, some say it is really quite at the heart of the political relationship? I remember, Hilary Clinton when she was a candidate why can't we get tough with China. Well how do you get tough with your banker? That is a thing candidates say but still she had a point.

The Hon. Karl Bildt: The banker, is also dependent upon you. If you go bankrupt, he is in bigger trouble.

Moderator: I think we are in bigger trouble.

Professor Wang, how does it seem from China? Do you feel a sort of increasingly leverage over the west because you are sitting on two trillion dollars of reserves and we aren't?

Prof. Wang Jisi: The economy is very tied up with other economies especially the United States. Japan, Europe. So it is very difficult to turn those economic advantages to real policy tools. Some people are suggests we should sale the treasury bonds. Otherwise they would, -- if the United States does not abide by its commitments to China and so on and so forth. But I think the real world is very different from that. One other comment coming back

to private sectors. I think the opposite is evidently in China. In China high economic world, the major motivator is the state enterprises. At the expense of some private entrepreneurs and households so there is a great deal of distress in Chinese society on open hand, people are happy with economic growth. Growth rate higher than any other country in the world so to speak. On the other hand, those benefits are not equally distributed. Other people do not get the desire to share. Over investment in infrastructure. So I think that is also very relevant to China. When we talk, we are talking about China's economic reform.

Moderator: I should ask you about the demographic question. If anybody sort sets out of the case for unstoppable rise of China. Somebody is going to say it is demographics it is an Asian society. The imbalance between men and women and so on sitting in Beijing is that something people do worry about.

Prof. Wang Jisi: Yes. People do worry about that aging population. You have to spend more money on welfare, medical care. And that is a very large question in China. And also some people are suggesting that we should change the one child laws in the long run.

Moderator: How live of a debate is it?

Prof. Wang Jisi: Very lively.

The Hon. Robert Zoellick: They are starting to change in Beijing. There are different rules starting?

The question part of the challenge in this general question about governance is how you create the enabling environment. You're exactly right. Private sector of growth and jobs and creativity and the ovation in an international debate the question will be what can be what can you do within countries and across countries to allow it to operate more effectively? So this again leads me to the notion you want to try to create a more network flexible system, I mentioned yesterday, aspects

and a newer multilateral organization it created a space for private sector participation in the political decision making process as compared to some of the organizations created in the 50s, Going back to ministers observation out of this recovery one of the big issues will be the hand off from the public to the private sector. Stimulus funds will run out. So the real question will be the -- what will be the investment prospects. One other aspect. This is where the international institution can play a positive role. You can obviously work with countries as we try to do in developing countries to create a better climate for investment to create better use of natural resource development with governance issues. And again. Through IFCR we actually create equity funds for different participants who are interested in the growth possibilities and the developing world but have high information or transactions across. It's a key point. The question about sort of the analysis of the break down of the crisis and the cause. What I would draw from your observation are that people are still debating the exact causes of the crisis I'm not sure there is just one simple model Greenspan talk about some of the (inaudible) created in the international system and this again goes back to the role of some of the emerging powers and some of the sovereign funds with economic grants and others. Where I think this is important today, we are now moving into to a phase you have a multispeed recovery. Means there are different issues than there are in the U.S., and in Europe. It's going to complicate the nature of the international cooperation to get out of this crisis. What I see at international meetings everybody was staring into the inaudible, A they felt the need to cooperate but B the tools were pretty basic in terms of monetary policy and physical stimulation. You could decide more or less but those are the same tools now they are going to have to take a different set of policies you can feel the gravitational force of politics related to jobs and reaction to? Of this crisis sort of wane in. The relevance of this, when we talk about governance there is tendency to talk about who is at the table and who has the say in representation and that is good. But part of

legitimacy is based on effectiveness so can these organizations do something. The league of nations had a lot of members but it wasn't able to do anything effectively. That is another part of governance where hits the nature of recovery.

Question about, I agree with, notion of stakeholders and the logic of responsible stakeholder for China. Part of what our challenge across these institutions is how do you build that perhaps having flexibility that the emerging powers and markets are going to say we didn't make all the rules so we want to have a say on how the rules get developed now A because we are still developing countries we need to contribute in ways. We have to be created on the nature of those contributions and take an issue like climate change to bring this home to the ground, there are still developing countries that are worried that this will be used to restrict their growth in the future. And so, there's an understandable movement against fossil fuels. But if you then go to countries in Africa where 7-10 percent of the people have electricity and you say we don't want you to use fossil fuels and by the way we may have built a lot of dams in North America but we don't want you to build dams because it floods valleys. So you can't have hydropower then what do you think the attitude is going to be in developing countries about climate change? They are going to see it as a conspiracy to hold them down. If you want them to cooperate there are ways to try to develop alternative energy sources but you also are going to be flexible on some of these things like hydropower or different types of fossil fuel development as you make different transitions. Otherwise, you are not going to build this cooperation. Last point, on population, I think it is a critical point you talked about China. But we have Russia nearby. The demographics of Russia is going to be important for the future. Since we are talking about geostrategic politics, if you look at the population in eastern part of Russia and China's economic rise this is going to be an issue for the future. It is true in Japan from the development agenda mention in Arab world where we find the crisis then is how do you create jobs for

these people particularly if you have young people in many cases that are sometimes better educated but they are having a hard time with the education-work transition. These partly drive an agenda, the name of the game here is to try to identify some of these problems and do something about them, and not just meet about them. I think most effectively you need the cooperation of the group like the G20. One place I differ a little, I would be worry of creating a new structure. I would use the existing one. If you want a secretary, have the World Bank play the secretary. Also it comes back to the point that Karl made, we have an 186 members when it come time to implicate then you are work through everybody so people don't feel cut out. Frankly, we have established tools and institutions which we should change and evolve for modern circumstances but let's use what we have to try to solve some of these problems.

Moderator: I want to give Sheikha Lubna a chance to talk about talk about the demographics in the Arab world. It is a fascinating question.

Sheikha Lubna Al-Qasimi: There is a rising amount of young people in the Middle East and there's also disparity in terms of to access of education. So you have large countries may be with not, high growth of GDP where by there are some other countries that are small. One aspect is the immobility of the youth itself throughout the Middle East. I think that helps a great deal but, most critical path is access to education. So this has been brought up in more than one instance through international reports. Mandating at least the access of mandating that the access of education, quality of gender and I do believe, once you have that, then also the creation of job would be the next critical path to it. The countries, a lot of economic growth, opportunities for youth. And educated population from the every world to mobilize themselves for access to employment. But it may not be enough. Most important part, creating growth within these countries like Egypt, Lebanon and so on. The overall development in the Middle East is critical --



Moderator: I don't mean to be blunt about it. Do you think a lot of people look at North Africa and say the demographics are going to destabilize these countries? Not creating jobs for young people.

Sheikha Lubna Al-Qasimi: Yes, mobilizing jobs in small countries is a small population. That in itself will not solve the problem 100 percent. So you are right. The development of the jobs, and job creation and access to education in these country is very critical.

Moderator: Karl, you want to say something.

The Hon. Karl Bildt: On the southern and eastern shores of Mediterranean we will be adding in the next decade or so 160 million people. That's two new Egypts. This could work two ways: Either the societies open up and reform and the jobs and opportunities and happiness for everyone or they don't. In which case, your scenario, will be effecting Europe quite a lot. Mediterranean and substantially smaller than the Atlantic.

Moderator: Several hands over here.

Over there.

AUDIENCE: I would like to ask you how successful you think this program can be? Would it be one of -- program that didn't produce an economic successes or do we have a chance to achieve better more important role of second we are hearing about new economic governance of Europe after the crisis. More coherent decision making concerning economic policies in Europe. Do you do you think it is needed and feasible?

Moderator: Over there.

AUDIENCE: It strikes me that two features coming out of this post crisis world one is debt particularly in the west in relations to the east. The one we have talked less about is imbalances. Trading imbalances. The likelihood these are going to continue in the post-crisis world. We may see a continuation. Certainly exporting

countries want to continue on being exporters and tell other countries that they should become exporters too. Obviously that does not necessarily work. Are we moving into a world of greater condition of currency as we saw back in the '80s, a big war of foreign investment into countries that have the deficits but who aren't quite ready yet to see Chinese companies, Indian companies come in and take over key parts of our economy.

Moderator: Two questions over here. Just here.

AUDIENCE: May be, because of my generation I want to look toward the future. Was this crisis big enough to bring everybody together. Seems throughout history it has taken major wars, conflicts. Looking toward the future is that too pessimistic do we need an other. And who is that other. We have not talked much about climate change could that be a potential? It struck me when we are talking about creating new public values that we have to call on the GCC and especially Saudi Arabia to take some responsibility as well. I have a question for (inaudible.) Some how in the Arab world I have seen that the Saudis are not so good in building libraries and museums or other institutions for people to be enlightened. I would like you to comment on that.

Moderator: Nice pointed question. I guess that is one for you.

Is Europe wasting its time?

Do you want to start on?

The Hon. Sheikha Lubna Al-Qasimi: I think there is a misperception about Saudi in that question. Saudi does build libraries and some of the best research comes out of hospitals so, it's not, I don't think it is all about building masks. There is attention to building nations within Saudi. May be it is not something that gets publicized but you have 80 percent -- may be we do see a much bigger demand in these things breaching, east and

west. I wouldn't put it extreme like that to that about Saudi Arabia.

Karl, on the Europe one. Are these papers produced at summates are they worth reading?

The Hon. Karl Bildt: Depends on the alternative. They are worth reading. And but what I want what I fear at the moment we'll have a significant inaudible, coming out of the crisis. In the sense that the idea was to concentrate the attention of the heads of the state of government to come to meeting. You have to look back -- some things were done. But we can see that Europe looks different after 10 years. Different shaded. Top of the Europe more on the top than was before. South is going south. The center is, the east is problematic, there is pensions. Poland is doing well. More complicated European picture. We need to look it at that and look at the fundamental reform needs that are there. Previous session was about the reflection group in NATO. You might remember as a reflection group in European union that is supposed to report in a couple months. And stimulate the debate about these long term issues. It is highly necessary to look at the long term structure issues that we have in Europe. We are the biggest integrated economy in the world. We have a human talent that is fantastic we have manage to preserve the market even through the economic crisis. Despite the tendency from every government to divert from that particular path.

We all have innovation in certain sectors of the global economy. The long term European issues will remain.

Moderator: The question about everybody wanting to export their out through this problem is one. It is quite striking you talk to these economies. They say we are going to want exports. And Obama says he is going to double exports I was just in Japan and they said of course we are going to remain an export economy. Who are who going to export all this stuff to? It does seem that could be the background to this famous wave of

protectionism in the world how do you see it from the world bank.

The Hon. Robert Zoellick: I think you stated it right. I would connect this to when we talk about the challenges for the G20. How will you get at this issue? This in part relates to different savings rates and consumption rates. Part of this I mentioned relates to Chinese industrial structure. Part also relates in the developed world to the challenging nature of their structure and how they deal with their own saving policies.

I wanted to touch the Saudi question. One, you may know, the current Saudi King has tried to increase innovation university, science and technology with men and women. What was interesting to me. When he chose to do that, he had to go outside the system. He turned to a global company to build that. I think it is a good example of the tensions you see, an efforts to modernize and reform, but this king, who I think is a reformer is stuck with the old structures and being able to do that.

There was also, I didn't want to ignore the question, you invite young people and he asked a question. What I would say, be careful about asking for crisis to catalyze things. You might get what you asked for. And in particular you asked about climate change. I think what happened in Copenhagen should be an eyeopener. People are going to respond to national interest. A wave of good will. A wave of editorials is not going to change this. If you want to get at this climate change you have to address some of those issues with that I talked about with the developing world how they have energy in a low carbon way. How are people willing to price carbon. Those are the real lesson with whether it is trade or other issues.

Debt. We are not far away from Waterloo. There is going to be a reenactment soon. When you read about the Napoleonic wars you read about the great campaigns, and so on and so forth, but the key to success for Great Britain in winning the Napoleonic war was pets

restructuring of the debt so he could finance them for 20 years. I want to come back to Karl's point, the real issue in geostrategic consequences is how some of the debt burden countries including United States and Europe handle the debt issue because that will be the key to the economic supervisions was for Great Britain?

Moderator: Can I push you on that you are sitting in the states, how optimistic can you be, it doesn't look great.

The Hon. Robert Zoellick: I honestly think the U.S. system has a way to come to resolution with these things. Just as you saw with some of the recent legislation I don't always agree with it. It looks like a messy process. On the one hadn't I'm generally positive about the U.S. ability to address these issuers. Doesn't mean I would take it for granite. I think a core issue that is hope is part of U.S. debate when I have a chance to engage in it, this point about fundamental gap between the revenues at the federal levels and the expenditures which is way beyond past experience and is going to lead more problems unless someone addresses them?

Moderator: Those are incredible statistics given yesterday, that 40 percent of this year's budget was borrowed.

When people talk about rebalancing the global economy, the first place they look is to China. You spoke about the G20. Doesn't seem like China is keen to engage in a debate let alone do anything about it. Has things changed over the recent months?

Prof. Wang Jisi: Not yet. But I think there is a tendency to encouraging Chinese enterprises to invest abroad. China has some money to invest already in Iran for instance. But that is controversial. Iran, Arab countries, in Africa, and that generally in some good news for the localities. But the complaints in the western world at large. One other thing that China could do a lot of investing in Europe, but that also has messed some political obstacles. The largest and most powerful

enterprise facing China are state owned enterprises and they are so tend to be regarded as having some political motivations.

One other thing is trade on hi-tech goods. I tend to be able, the United States sold to aircraft battle groups to China, the trade imbalances would be gone. That would not be possible in the near future. That is related to military sensitive technology to be sold by European countries to China. So I think, trading balances, but these are related to political relationships.

Moderator: If this comes to a head in the next month or so, it will be when the U.S. designates China's currency manipulator. That has been, do you think it could also gravely damage the political relationship between U.S. and China?

Prof. Wang Jisi: Certainly. I think that would be devastating to the U.S.- China political relationship. I hope it will not happen.

Moderator: I suppose one way to make it less devastating for Chinese to say there is a problem and we'll address it.

Prof. Wang Jisi: So far the more pressure on China the more resistance you'll see from the Chinese government so I hope the situation will die down for China to reconsider the whole situation and make some adjustments.

Moderator: If it is seen as political pressure China will have a nationalist reaction and not think about.

Prof. Wang Jisi: I see substantial different voices between different agencies in China. The relation of commerce is arguing the case and some other people have their reservations.

Moderator: Okay.

We got about 10 minutes to go.

I have to be reasonably tight on time. We all have planes to catch.

Let's wrap it up by giving everybody a chance to draw some points about by this debate.

It's too soon to tell. I'm sure that is true. All of us have to make snap judgments all the time. How we think things are playing out.

As a way trying to summarize the debate and frame it, do you think this big financial crisis will turn out to be a big political turning point? Will it one of those moments Berlin wall moment, we say the world did change then? Or more like Asian financial crisis which felt enormous at the time but a few years later it seemed to be back to business as normal? What's your guess. I don't know who wants to start.

Prof. Wang Jisi: I don't think whether it is turning point but the Chinese, developing countries are going faster than developing countries. That trend will not be reversed in the near future. There are many uncertainties. In the developing world, for instance, China is China's economic development sustainable? Faced with environmental degradations? Faced with social tensions here and there? What does that mean if we say the western world is declining? Is there an alternative, value system that could replace or counter the current value system we see in the world. We call that western value system or not?

Moderator: People talk about aging consensus and say that China does have a different growth model.

Prof. Wang Jisi: We debate largely whether there is available Chinese model. Government official says we can only talk about the Chinese story. Or the Chinese case. Moral is still developing still involving faced with a lot of daunting problems at home. Some other people are very broad of China. There's a lively discussion in

China. That goes well for China to re-adjust itself in international affairs at large.

China does want to play a leadership, not a leadership but to share it with other countries. They are very practical obstacles as I just mentioned. Political suspicions here and there. China lacks experiences and qualified representatives in the many international organizations. So taking the long view. I cannot make certainly this is a turning point. I see gradual changes in that direction. But what will be the final result in 20-25 years I don't know?

Sheikha Lubna Al-Qasimi: Have we learned from it? I think the critical path? What is it that we have learned? Part of this was basically value structure. Some of it governance. Part of it was greed. Have we learned? Has it moved to change how we do things? Are we back to basics and the way we should be. We learned to talk to one another. There has been a dialogue, forums of people getting together and thinking and even deciding have we learned enough to understand what the problem was? That we can overcome it in the future. Or we going to see 20 years from here similar problem because someone just got interested in the money growth itself and forget their are basics to start with. Whatever we have today, we have for generations to come. There is something that we have today is ours. Do we actually think responsibility going forward? A lot of these policies that we do consider, a lot of this is in -- are we going to leave something there.

Moderator: I know it is unfair to ask it you to answer a question that you said is unanswerable. I'll do it anyway. Is this is Berlin wall moment or a Asian financial crisis that we are going to live and then get back to normal?

The Hon.Robert Zoellick: Four thoughts. One, I think the crisis heightened awareness of some very important trends. The most significant of which was the rise of developing countries recognizing you have huge diversity



among those developing countries. We are seeing that in terms of demand to get us out of the problem. I believe with the policies it could propose a growth for future. Go back to Asian financial crisis at that time, the question could China hold the currency pick. Now you can't open up a newspaper seeing what China's growth, I believe there is potential for Latin America and Africa over time. With the right set of policies.

Second point the G20 was around during this time it was created by finance ministers some 10 years ago, it was raised to the summite level by President Bush. That is an important question will be use it effectively to deal with this question of engage emerging powers as different shareholders hold responsibility.

Third part is financial sector. But people have understood different idea said about market theory and role of appreciation, I would suggest these lessons are going to be learned for a while. Capitalism have markets that go up and down, it is a question of psychology and behavior as well as efficient markets. And so one of the dangers as people go through the reforms they don't take steps that will complicate it for the future. Then, the key point of course, is how do people and countries respond to the crisis? This is what you have seen throughout history? We have talked about one core issue. One thing that will be different, the debt profile of develop countries in particular very different than it was in the past. So how will they face that with their budgets. Ultimately comes back to private sector point will they recognize it is not all government response, but private sector innovation. Those are the unanswerables that policy makers will have to supply the answer.

The Hon. Karl Bildt: I think the crisis has highlighted trends that were there before. 2000 years in time, Asia was three/fifth of the economy. We are coming back to that step by step. A more normal world. When we appear after the moment of the west if I have a dramatic formulation.

Second observation the good thing that happened. We had a near death experience on the financial markets. Global trade going down. Unprecedented. A year back we all feared end of globalization. Collapse of states. There were all sorts of things of reasons of fear. This did not happen. The crises has demonstrated the basic resilient of the mega trend of our time, which is the process of globalization. That is essentially a good thing. That has profound implications. A number of the bad things that we feared did not happen. So globalization is here to stay and that is good?

Moderator: Thank you very much. Thank you to the audience as well.